



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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July 22, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

**PRELIMINARY REPORT – THIRD AMENDMENT TO THE REDEVELOPMENT PLAN  
FOR THE HAWTHORNE REDEVELOPMENT PROJECT AREA NO. 2 - CITY OF  
HAWTHORNE (SECOND DISTRICT)**

Consistent with Board policy and direction, we are advising your Board that the City of Hawthorne has sent us the Preliminary Report for the proposed Third Amendment to the Redevelopment Plan for Project Area No. 2. The Preliminary Report includes the following information:

- Map of Project Area (Attachment I)
- Physical and Economic Conditions of Blight (Attachment II)
- List of Planned Projects (Attachment III)
- Impact on County General Fund (Attachment IV)

The boundaries of the proposed Third Amendment encompass approximately 111 acres, and include Areas "A" and "B" indicated on Attachment I, northwest and southeast of the intersection of Aviation and El Segundo Boulevards. The proposed project is intended to assist in the construction of a consolidated and state-of-the-art Los Angeles Air Force Base. The Air Force believes that failure to modernize the Base will likely lead to its inclusion in the next round of military base closures. A developer will construct new facilities for the Air Force at Area B in exchange for the rights to build new residential developments at Areas A and C (Area C is in the existing project area and is located on the east side of Aviation Boulevard, north of Marine Avenue, and south of Rosecrans Avenue).

Each Supervisor  
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The information on the project area and the physical and economic conditions of blight (Attachment II) was extracted from the Agency's Preliminary Report. Consistent with procedures approved by your Board, this office conducts summary examinations of proposed project areas and reviews agency preliminary reports. Unless concerns are raised by this initial review, a more in-depth analysis is normally not conducted given resource limitations. Based on the summary examination of the report, site visits, and meetings with the City and Air Force staff, it is our conclusion that the project area generally reflects blighting conditions consistent with legal requirements.

As we advised your Board in our initial Notices on this project, a financial gap exists between the cost to construct the new Air Force facilities at Area B, and the resale value of the residential developments at Areas A and C, and that the developer is requesting that the City of Hawthorne and County of Los Angeles contribute their shares of tax increment which would normally be passed through to them based on California Redevelopment Law. Under the Agency's proposal, the County would contribute its share of approximately \$11 million over 30 years. It should be noted that Areas A, B, and C are now owned by the Air Force, therefore, the County currently receives minimal property taxes.

The proposed contribution of County tax increment would require approval by your Board. County Counsel will assist in developing language for an amendment to the Tax Allocation Agreement of Project Area No. 2, and that amendment will be included in a future Board agenda letter. In addition, CAO staff is working with an outside consultant to verify the financial gap, and Los Angeles Economic Development Corporation is developing an analysis of the economic impact of the Base on the regions' economy.

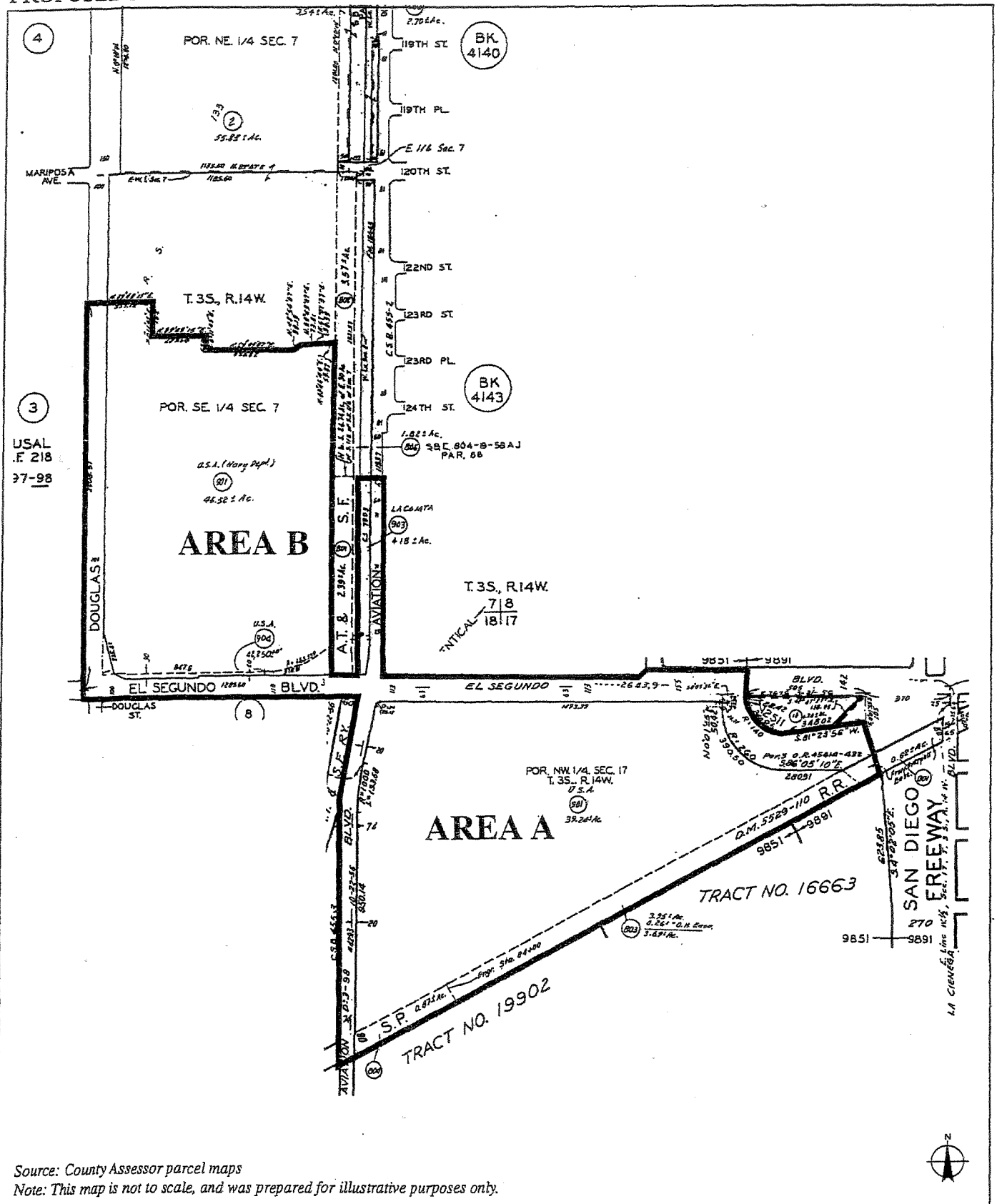
A public hearing on the proposed adoption of the amendment will take place on August 25, 2003. Failure to voice opposition, if any, at the hearing may preclude the County from legally challenging the proposed project at a later date. If you have any questions regarding this information, please call me, or your staff may call Robert Moran of my office at (213) 974-1130.

DEJ: LS  
MKZ:RM:nl

#### Attachments

c: Lloyd W. Pellman, County Counsel  
J. Tyler McCauley, Auditor-Controller

FIGURE 1  
PROPOSED ADDED AREA



**PROJECT AREA DESCRIPTION**  
**PHYSICAL AND ECONOMIC CONDITIONS OF BLIGHT**  
(From Agency's Preliminary Report)

- **Physical Blighting Conditions:**

The following is a brief summary of the physical conditions in the Project Area:

- 7 of 7 buildings (100%) in Area A and 10 of 16 buildings (62.5%) in Area B were determined to pose a life-safety risk in the event of seismic activity. Deficiencies were found in the structural integrity of the walls and building design which makes the buildings susceptible to “pancake” collapse as a result of seismic activity.
- Factors that prevent or substantially hinder the economically viable use or capacity of the buildings in Area A and Area B include:
  - Building operations that are dispersed at three locations with separate activities that are desired to be grouped at one location;
  - Office buildings with floor plates that are too small and subdivided into individual offices which reduces space efficiency;
  - Buildings that were designed for manufacturing and airplane hangars cannot be efficiently adapted for office use as heating, HVAC, and fire suppression systems are inadequate or nonexistent; and
  - A reduction in parking in Area A of 30% and Area B of 15% due to new security requirements.

- **Economic Conditions of Blight:**

The following is a brief summary of the economic conditions of blight that exist in the Project Area:

- Most of the buildings in Areas A and B are known to contain asbestos and lead based paint. The need for remediation of these hazardous materials so burdens the existing property that an economically viable commercial reuse is improbable.
- Projected renovation costs exceed the costs to construct new facilities.
- The gap between the cost of new Air Force facilities in Area B and the resale value of the new residential development in Areas A and C cannot be funded by the private sector, and further evidences the impairment of the AFB investments.

## LIST OF PLANNED PROJECTS

### Estimated Project Costs

Item or Program	Amount
<b>Public Improvements</b> Sewer and drainage improvements, utility undergrounding, street widening, grading and finishing improvements	\$ 13,200,000
<b>Air Force Base Improvements</b> Provision of relocation assistance for consolidated new facilities at Area B and subsequent reuse of Area A and Area C	\$ 10,000,000
<b>Housing Assistance</b> Low and Moderate Income Projects	\$ 12,200,000
<b>Debt Service</b> Issuance of tax allocation bonds to fund the financial gap	\$ 74,900,000
<b>Administration</b>	\$ 2,200,000

**TOTAL**
**\$ 112,500,000**

## IMPACT ON COUNTY GENERAL FUND

### Limits of Plan

- **Incurring Debt:** 20 years
- **Redevelopment Activities:** 30 years
- **Limitations on Collection of Tax Increment:** 30 years

### Estimated Project Revenues

- **Assumed Annual Real Property Growth Rate:** 2.0%
- **New Construction values:**      Area A: \$ 275,128,000  
   Area C: \$ 86,096,000
- **Base Year Assessed Valuation:** \$ 3,000,000
- **Gross Estimated Increment (30-year Collection):** \$ 121,037,668
- **Housing Set-Aside (20% Minimum):** \$ 24,207,534
- **County's statutory pass through share:** \$ 11,756,911

### Financial Impact on the County General Fund:

This project is a unique proposal, as it involves the conversion of publicly-owned parcels to the private sector. Therefore, predicting whether or not future private development activity would occur regardless of redevelopment at these sites is difficult. According to the City's proposal, the County will contribute 30-years of its statutory pass through (approximately \$11.8 million) to the project. Because the entire project area currently sits on government property, current receipt of tax increment is minimal. Therefore, the 30-year contribution of County share would be generated by tax increment which would not have otherwise occurred without the proposed project. Under this scenario, the County would benefit from the increase in property values after year 30.

Another potential scenario includes the base modernization and new residential development without the use of redevelopment. Because the County's normal share of tax increment without redevelopment is higher than the County's share of statutory pass through with a redevelopment project, the County's share would be higher, assuming the

project is completed without redevelopment. However, according to the City and the developer, the proposed Base modernization and new residential development plan is not possible without the tools of redevelopment.

Yet another scenario includes the use of redevelopment without the County's contribution of its \$11.8 million of tax increment pass through. However, because of the financial gap that exists in the cost to modernize the Base and the value of the new residential developments, it is unlikely that the project would be undertaken without the contribution of tax increment from the County and the City of Hawthorne.